

January 2001

Major Management Challenges and Program Risks

Department of Labor



Form SF298 Citation Data

Report Date <i>("DD MON YYYY")</i> 00JAN2001	Report Type N/A	Dates Covered (from... to) <i>("DD MON YYYY")</i>
Title and Subtitle Major Management Challenges and Program Risks Department of Labor		Contract or Grant Number
		Program Element Number
Authors		Project Number
		Task Number
		Work Unit Number
Performing Organization Name(s) and Address(es) General Accounting Office Washington, DC 20013		Performing Organization Number(s) GAO-01-251
Sponsoring/Monitoring Agency Name(s) and Address(es)		Monitoring Agency Acronym
		Monitoring Agency Report Number(s)
Distribution/Availability Statement Approved for public release, distribution unlimited		
Supplementary Notes		
Abstract This report addresses the major performance and accountability challenges facing the Department of Labor as it seeks to promote the welfare and economic security of the nations workforce and ensure that workplaces are safe and healthy. It includes a summary of actions that Labor has under way to address these challenges and outlines further actions that GAO believes are needed. This analysis should help the new Congress and administration carry out their responsibilities and improve government for the benefit of the American people.		
Subject Terms		
Document Classification unclassified		Classification of SF298 unclassified
Classification of Abstract unclassified		Limitation of Abstract unlimited
Number of Pages 38		

Contents

Letter	3
Overview	6
Major Performance and Accountability Challenges	11
Related GAO Products	29
Performance and Accountability Series	32

United States General Accounting Office
Washington, D.C. 20548

January 2001

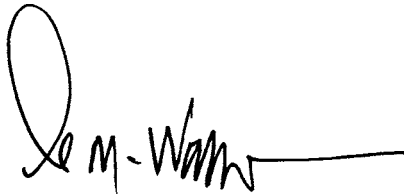
The President of the Senate
The Speaker of the House of Representatives

This report addresses the major performance and accountability challenges facing the Department of Labor as it seeks to promote the welfare and economic security of the nation's workforce and ensure that workplaces are safe and healthy. It includes a summary of actions that Labor has under way to address these challenges and outlines further actions that GAO believes are needed. This analysis should help the new Congress and administration carry out their responsibilities and improve government for the benefit of the American people.

This report is part of a special series, first issued in January 1999, entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks*. In that series, GAO advised the Congress that it planned to reassess the methodologies and criteria used to determine which federal government operations and functions should be highlighted and which should be designated as "high risk." GAO completed the assessment, considered comments provided on a publicly available exposure draft, and published its guidance document, *Determining Performance and Accountability Challenges and High Risks* (GAO-01-159SP), in November 2000.

This 2001 *Performance and Accountability Series* contains separate reports on 21 agencies—covering each cabinet department, most major independent agencies, and the U.S. Postal Service. The series also includes a governmentwide perspective on performance

and management challenges across the federal government. As a companion volume to this series, GAO is issuing an update on those government operations and programs that its work identified as “high risk” because of their greater vulnerabilities to waste, fraud, abuse, and mismanagement.

A handwritten signature in black ink, appearing to read "D. M. Walker", followed by a long horizontal line.

David M. Walker
Comptroller General
of the United States

Overview

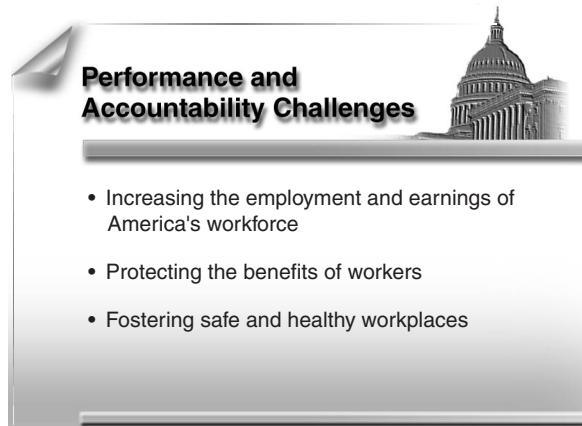
The Department of Labor is responsible for promoting the welfare and economic security of the nation's workforce and ensuring that workplaces are safe. With a budget estimated at more than \$39 billion in fiscal year 2001, Labor oversees a wide array of activities that affect more than 100 million workers and more than 10 million employers. These myriad activities are managed through a decentralized agency structure that includes 22 offices, more than 1,000 field offices, and shared program responsibility with numerous state organizations and as many as 14 federal entities.

Labor must carry out its responsibilities in a rapidly changing environment. Significant changes stemming from increasing workforce diversity and new developments in technology are rapidly transforming the workplace and the ways in which employers do business. In addition, slow workforce growth and increasing retirements by baby boomers will likely result in tight labor markets continuing in the future. Employers are responding to these changes by seeking more highly skilled workers and creating new types of work arrangements, such as allowing employees to telecommute and hiring contingent workers. Over the past decade, the country has experienced substantial growth and low unemployment, and millions more Americans are enjoying economic success. Yet many people have not been able to share in this prosperity. Because employment opportunities increasingly favor those with higher levels of education and training, those lacking the skills necessary to meet employers' needs may be left behind. Also, if laws and regulations do not keep up with the changing workplace, workers may not have adequate benefits or workplace protections.

In this context, our work has shown that Labor faces several key challenges: to improve opportunities for productive employment, which would include retraining workers to better meet rapidly changing workplace needs; protect workers' benefits as they pertain to

wages, unemployment income, and retirement income, among other things; and ensure safe and healthy working conditions. Labor is aware of these challenges and, in response to GAO recommendations, has taken action to address them. For example, Labor has changed its procedures to verify wage data to improve the accuracy and timeliness of prevailing wage rates. Labor has also initiated actions to strengthen its management of pension plans.

Many opportunities for improvement remain, however. Labor can improve its performance measurement, strategic planning, and organizational alignment to better meet its challenges. For example, Labor needs better data to effectively measure program performance. Better strategic planning by Labor would improve program service delivery and ensure that regulations and procedures keep up with changes in the workplace. Labor must also improve coordination with other agencies that have similar responsibilities to increase program effectiveness, ensure worker protections, and minimize employers' compliance burdens. If Labor takes action to address these issues, it will be in a stronger position to increase the employment and earnings of America's workers, protect the benefits of workers, and ensure safe and healthy working conditions.



Employment and Earnings

Given the rapid changes in the workplace and the need for employees to enhance their skills, one of Labor's key challenges is to increase the employment and earnings of the workforce. Toward that end, Labor is helping states implement the Workforce Investment Act (WIA) to integrate employment and training programs and provide access to a broad range of employment-related services in a single location. However, we have identified problems with data collection, performance measurement, and a lack of strategic planning that hinder efforts to measure performance and integrate services, which, if remedied, could help a wide variety of individuals obtain employment and increase their earnings. For example, the lack of systemwide performance measures precludes states from evaluating the effectiveness of its one-stop system under WIA. In addition, the lack of accurate, useful data collected on employment and training services for migrant youth aged 14 to 17 and for veterans prevents Labor from accurately assessing program performance and tracking improvements over time. We recommended that Labor develop better performance data on migrant youth and

pointed out areas in which it could improve the quality of data on veterans' services.

Worker Benefits

To protect workers' benefits and rights, such as pensions and the appropriate wage, Labor must ensure that its programs keep up with changes in the workplace, such as the increasingly diverse workforce and the growth of small businesses and virtual workplaces. Based on recommendations made by us and others, the agency has made a number of improvements to enhance compliance with labor standards and protect worker benefits, such as increasing the accuracy and timeliness of wage rate determinations, ensuring proper payments to compensate longshore and harbor workers, and strengthening internal controls to minimize fraud and abuse in the federal workers' compensation program.

However, our work has shown that Labor's programs that protect labor standards and worker benefits remain subject to weaknesses in performance measurement, organizational alignment, strategic planning, and financial and contract management. For example, in October 2000, we reported that the lack of credible, timely performance data in the federal workers' compensation program made it difficult to determine progress toward its goals and recommended that the agency collect better data and establish performance measures. We also found that inadequate organizational alignment and strategic planning in programs managed by multiple agencies may result in inefficiencies in program administration or enforcement that can increase the burden of compliance for employers or reduce protections for workers. We recommended eliminating particular agency responsibilities to simplify the process and realigning program authority to increase the effectiveness of enforcement. In September 2000, we identified weaknesses in performance and contract management that could affect Labor's ability to serve the

financial needs of pension plan participants efficiently and effectively and made several recommendations to address these problems.

Safe Workplaces

Given the dramatic increase in the number of workers needing workplace protection, changing working conditions, global competition, and other factors that may affect workplace conditions, Labor must ensure that laws protecting the work environment are enforced so that workplaces are safe and healthy. While the agency made progress in improving procedures to detect violations of agricultural child labor and establishing safety and health programs at residential training centers for disadvantaged youth, Labor must do more to improve its data and performance measurement and organizational alignment. Our work has shown that Labor lacks the data necessary to determine the extent of violations regarding children working in agriculture. We recommended that Labor take steps to improve its data collection to better identify and track these violations. Our work has also shown that organizational and coordination problems limit the effectiveness of Labor's efforts to protect workers. Labor agencies, such as the Occupational Safety and Health Administration (OSHA) and the Wage and Hour Division (WHD), have not coordinated effectively with other agencies to enforce laws regulating hazardous materials, potentially endangering employee safety, or to enforce laws protecting children working in agriculture, reducing the potential to detect child labor violations. We recommended various ways that OSHA and WHD could improve coordination to better enforce these laws.

Major Performance and Accountability Challenges

With a budget estimated at more than \$39 billion in fiscal year 2001, much of which is nondiscretionary, Labor is charged with preparing the nation's workforce for new and better jobs, providing and protecting worker rights and benefits, and ensuring safety in the nation's workplaces. To carry out its mission, the agency oversees a broad array of programs, ranging from those that help students' transition into the workforce to those that ensure the integrity of pension plans for retirees. These activities affect more than 100 million workers and more than 10 million employers. Labor's responsibility for managing these activities is decentralized across 22 offices and more than 1,000 field offices. In addition, Labor can share program responsibility with as many as 14 entities in other federal agencies and with numerous state organizations.

Although Labor has been making changes to carry out its responsibilities more effectively, it faces the following significant performance and accountability challenges: (1) increasing the employment and earnings of America's workforce, (2) protecting workers' benefits, and (3) fostering safe and healthy workplaces. Several weaknesses, however, may prevent Labor from meeting these challenges, such as the lack of useful, accurate data to measure performance, inadequate planning to ensure more effective service delivery and adapt regulations to the changing workplace, and insufficient organizational alignment and coordination to ensure worker protections while minimizing employers' compliance burden.

Increasing the Employment and Earnings of America's Workforce

Given the continuing advances in technology, low unemployment, employer demands for highly skilled workers, and an increasingly diverse workforce, it is essential that Labor seek ways to help increase the employment and earnings opportunities of America's workforce. The Employment and Training

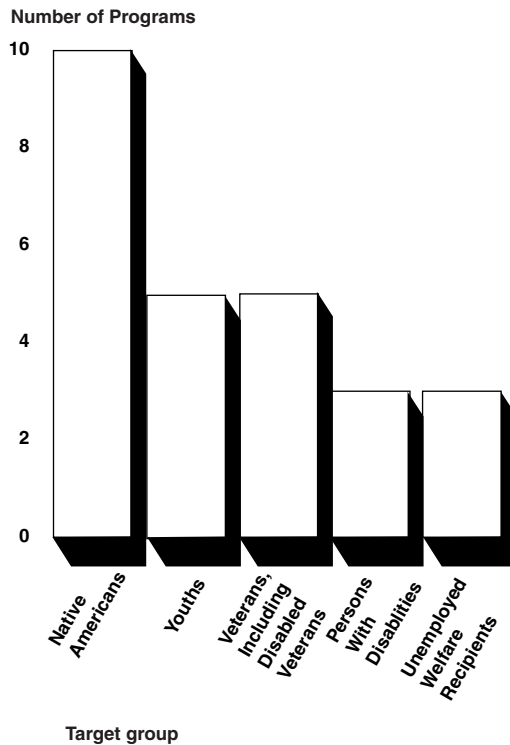
Administration (ETA), the primary agency at Labor responsible for helping people prepare for and enter the workforce, oversees a variety of employment and training programs whose clients range from unemployed youth to dislocated workers to older workers seeking employment assistance. Labor's Veterans' Employment and Training Service (VETS) helps veterans obtain employment and training. Labor provides funds for these programs to state and local organizations, which are largely responsible for administering them. Many of these programs are now required to provide services through a single service delivery system under the Workforce Investment Act (WIA). In its efforts to increase the employment and earnings of America's workforce, Labor has made progress in helping states implement WIA. However, performance measurement and strategic planning problems continue to affect the success of employment and training programs, including those programs under WIA.

In the 1990s, we documented fragmentation and program overlap among the \$20 billion in federally funded programs and concluded that consolidation of these programs was needed. In 1998, WIA was enacted to integrate multiple employment and training programs in Labor and other federal agencies into a single local delivery system (known as the one-stop system) to provide services more efficiently.

Despite WIA's goal to consolidate programs, we recently reported that the existence of a large number of programs focused on providing employment and training opportunities limits the integration and coordination of program services. In an October 2000 report, we identified 40 federally funded employment and training programs administered by 7 different federal agencies whose primary goal is to help people find work or improve their job skills. Many programs served the same target group and provided similar services for groups such as Native Americans, youth,

and veterans, creating the potential for wasted funds, administrative inefficiencies and duplication of, or gaps in, services that frustrate customers (see fig. 1).

Figure 1: Programs Serving Target Groups



To a limited degree, Labor's 2001 performance plan discusses efforts to coordinate with other federal agencies and includes goals that indirectly address coordination. In addition, Labor is providing technical assistance to states to help them make the transition to WIA and to facilitate the integration and streamlining of services through the one-stop system. In June 2000, we reported that states were developing integrated service

delivery approaches that showed promise. However, it is too soon to determine how well states and local agencies are integrating services through the one-stop system.

We found that states' ability to integrate services under WIA may also be limited by performance measurement and associated data problems. Labor is developing a performance accountability system to implement WIA's requirement to assess the effectiveness of state and local service delivery. Labor developed a computer system called the One-Stop Operating System (OSOS) that states could use to support WIA-required data collection, facilitate case management, and share performance data and client information among partners. We found, however, that OSOS was not flexible enough to meet states' needs. As currently configured, it will not incorporate non-Labor programs that must also provide services at a one-stop center, such as the Department of Education's Adult Education and Literacy programs.¹ As a result, it will be difficult to collect performance data and track client participation for all WIA programs that are required to offer services through the one-stop center. In addition, no systemwide performance measures exist, precluding the states' ability to measure and evaluate one-stop performance. Labor's Office of Inspector General (OIG) concluded that, if Labor is to evaluate program effectiveness, it is essential to use unemployment insurance and Social Security Administration wage records that provide data on employment outcomes. However, because Labor has limited access to these wage records for program evaluation purposes, OIG believes it must have the statutory authority to obtain these records easily.

¹Of the 17 programs that are required to provide services through the one-stop system under WIA, 12 are funded by Labor.

We also found that VETS, a partner in one-stop centers, cannot accurately assess its performance nationally or track performance improvements over time for a number of reasons. For example, state-reported data on veterans' services and employment outcomes vary significantly across states, limiting the usefulness of these data for performance measurement. In addition, differences in how states count services provided to veterans affect national data reported to VETS, which is used to measure progress. In September 2000 testimony, we pointed out that the agency needs to address these inadequacies in its data collection efforts. Labor's OIG also determined that VETS had problems with the reliability of its data and the quality of its performance measures. VETS is working to develop additional performance measures and is considering replacing its primary data system. However, it is unclear if these efforts will resolve inconsistencies in measurement among states and yield useful national data, and no replacement schedule for the data system has been established.

We also found problems with the performance data Labor used to measure the effectiveness of services provided to migrant youth under its Migrant and Seasonal Farmworker Program. Because the program targets migrant and seasonal agricultural workers and the children of such workers, it has traditionally focused on adult employment needs. As a result, Labor aggregates outcome data for 14- to 21-year olds, even though youth under 18 have different training and educational needs from those over 18. Because Labor has not established specific outcome measures for youth aged 14 to 17, we do not know if the needs of these youth are being met. In August 1998, we recommended that Labor develop and analyze data on these services to determine the number of 14- to 17-year olds served, the services provided, and the outcomes experienced by these youth. While Labor agreed it would be useful to collect these data and that WIA

would allow it to implement this recommendation as the agency works with its partners to develop reporting requirements, it is not clear how these data will be collected and reported under WIA's performance measurement system.

Strategic planning weaknesses have also limited the integration of Labor's employment and training services under WIA. The numerous agencies that provide employment and training services must develop partnerships that require agencies to determine how they will offer services in a new, integrated setting. This has been problematic for some Labor programs. For example, in September 2000, we reported that VETS' current strategic plan does not adequately address how it will incorporate its programs into WIA and provide services at one-stop centers. With the expansion of one-stop centers providing a greater number of service delivery points and the traditionally high turnover of VETS staff, we noted that it is crucial that VETS develop a strategic plan that lays out how it will integrate its services at one-stop centers. In addition, we pointed out that, until VETS identifies the problems veterans have in finding jobs, it is unable to determine the type of assistance it should provide.

WIA's one-stop system also faces problems that result from multiple program requirements and insufficient guidance. WIA regulations requiring each program participating in the one-stop system to contribute a fair share of the operating costs hinder the integration of employment and training services. Because each program has restrictions on the use of its money and specific requirements for reporting, states must track and report costs separately for each program. Many one-stop systems reported problems determining how partners would share costs, thus delaying efforts to complete Memorandums of Understanding (MOU) required by WIA to include cost allocation plans and ways to coordinate services. Labor's OIG concluded that

funding limitations across programs and the lack of guidance from state and federal agencies make it difficult for states and local areas to allocate costs fairly and properly. It determined that considerable work needs to be done to implement adequate systems to allocate costs among the one-stop partner programs and agencies.

Key Contact

Sigurd R. Nilsen, Director
Education, Workforce,
and Income Security Issues
(202) 512-7215
nilsens@gao.gov

Protecting the
Benefits of
America's Workers

Several agencies are responsible for protecting workers' rights and benefits, including unemployment insurance, prevailing wages, and pension and health plans. For example, ETA and the states administer the federal-state Unemployment Insurance (UI) program estimated to pay out about \$25 billion in benefits in fiscal year 2001. The Office of Workers' Compensation Programs (OWCP) provides workers' compensation and medical benefits under the Federal Employees' Compensation Act (FECA) to injured civilian employees in federal workplaces, and the Wage and Hour Division (WHD) is responsible for ensuring that workers receive the wages to which they are entitled under the law, such as prevailing wages. The Pension Benefit Guaranty Corporation (PBGC), a self-financed, government corporation within Labor, protects the retirement income of 43 million workers in defined benefit pension plans. Labor's Pension and Welfare Benefits Administration protects the integrity of pensions, health plans, and other employee benefits for more than 150 million people.

Some of these agencies have taken or initiated action to improve protections for workers. For example, in response to concerns we raised about the accuracy and timeliness of its wage rate determination process under the Davis-Bacon Act, WHD increased the efficiency and effectiveness of its wage data verification procedures to ensure greater accuracy and timeliness in the wage data used to determine prevailing wages. Labor has also taken action to ensure appropriate workers' compensation payments to longshore and harbor workers and to strengthen internal controls that mitigate the vulnerability of the federal workers' compensation program to fraud and abuse. Finally, PBGC is taking steps to strengthen its contract and procurement management. Nevertheless, Labor's challenge in protecting the benefits of workers continues to be affected by a number of weaknesses in performance measurement, strategic planning, organizational alignment, and contract and financial management.

We found that performance data were often insufficient to help Labor determine the progress made toward its goals. Despite OWCP's efforts to improve its customer communications systems, we found inadequate levels of customer service in a recent review of OWCP. For example, in some district offices, more than half of all telephone calls made to OWCP failed to reach its telephone system, and the customers' ability to speak to an OWCP employee varied significantly across districts. We also found that the agency does not have an adequate system for collecting credible and timely performance data to make informed decisions about its customer service operations. Because the information it tracked on telephone and written responses to customers was not always timely, consistent, or comprehensive, OWCP could not determine what progress it had made toward achieving its customer service goals. In October 2000, we recommended that OWCP collect better performance data, use these and

other data for continuous improvement, and establish goals for telephone and written communications with customers. Labor agreed with these recommendations and said it would continue to explore ways to improve customer communications.

To adapt programs to the modern workplace, Labor must address weaknesses in strategic planning and the problems in organizational alignment that result. A number of agencies manage programs that address the growing need for workers in specific industries by providing employers with temporary foreign workers through, for example, the H-2A program for agriculture workers and the H-1B program for highly skilled workers such as information technology workers. However, we found that having multiple agencies manage the H-2A and H-1B programs resulted in program inefficiencies that confuse participants and delay the process. In a December 1997 report, we recommended that the Immigration and Naturalization Service (INS) be eliminated from the H-2A application process to reduce the cost and burden on employers and simplify the application process. Labor and INS agreed and issued a final rule in the *Federal Register* in July 2000 to delegate authority to approve H-2A visa petitions from INS to Labor, but this rule has not yet taken effect. In a September 2000 report, we noted that Congress should consider eliminating Labor's role in the H-1B process because Labor's review of employer petitions for H-1B workers is limited by law, and INS duplicates much of Labor's review. Labor did not agree, stating that Congress should expand its role to be more substantive, while ensuring the process is timely.

In both cases, we also found that limitations in Labor's enforcement authority left these programs vulnerable to abuse and fraud by employers or workers, and we made recommendations to address this limited authority. Because two separate Labor agencies are responsible for the H-2A program, we recommended that Labor

consolidate program authority into one agency to increase the effectiveness of enforcement. Labor proposed this consolidation to Congress as part of its fiscal year 2000 budget, but it was not approved. Our H-1B report noted that limitations on Labor's H-1B enforcement authority restrict its ability to adequately detect noncompliance or abuse. Labor's OIG identified cases in which employers and individuals filed fraudulent H-1B petitions with Labor. Labor has urged Congress to expand Labor's enforcement authority for this program.

In our review of the white-collar exemption under the Fair Labor Standards Act (FLSA), which determines whether an employee is paid by the hour and is eligible for overtime pay or is a salaried employee and thus exempt from overtime pay rules, we found that implementation of the exemption had not kept pace with the changing workforce and changing work arrangements. Over the past 2 decades, the number of American workers exempt from overtime rules has increased by 9 million mostly due to the rapidly growing services sector, which has a higher proportion of exempt workers than other sectors, and the influx of women into full-time white-collar exempt positions. Despite these shifts in the American workplace, the rules determining whether workers are exempt from FLSA have remained largely unchanged since the Act was passed in 1938. For employers, the current rules are too rigid and inflexible, particularly in view of technological advances in the workplace. For employees, inflation and oversimplification of exemption requirements have reduced protections formerly provided by the regulations. In September 1999, we recommended that Labor comprehensively review current regulations and restructure exemptions for white-collar workers to accommodate today's workplace. While Labor has made a commitment to open a review of these regulations for the purpose of updating them, it has not yet begun this effort.

Fiscal year 1999 marked the third consecutive year in which Labor achieved an unqualified audit opinion on its consolidated financial statements with no material internal control weaknesses. We encourage Labor to maintain its high level of financial performance and to continue working to ensure that all financial systems substantially comply with the Federal Financial Management Improvement Act, which requires agency financial management systems to comply with certain federal financial and accounting standards.

In addition to Labor's unqualified audit opinions, Labor has made improvements to the longshore and harbor workers' compensation trust fund by, for example, ensuring that payments are no longer made to deceased individuals and strengthening internal controls in its federal workers' compensation program. However, other Labor programs that provide or protect workers' benefits may still have weak internal controls and be subject to financial management weaknesses, such as the Unemployment Insurance program. Labor's OIG has identified a range of schemes by individuals and employers to defraud the UI program. For example, electronic filing and mail-in UI claims processes allow individuals to create false identities through the use of fraudulent or unissued social security numbers and to defraud multiple states from a single location, resulting in substantial losses to the trust fund. The OIG recommended increased training for state UI employees in fraud detection techniques and improvements in internal controls and enforcement. Although ETA's 2001 performance plan contains several goals to reduce program vulnerability, it does not address all of the OIG's concerns, such as the need for increased training and better enforcement.

Over the years, Labor's OIG has raised concerns about the security of pension plan assets. First, because the Employee Retirement Income Security Act, which establishes certain minimum standards for pension and

welfare benefit plans, exempts certain pension plan assets from audit coverage, almost one-half of pension plan audits cannot receive an audit opinion on their financial statements. To strengthen oversight, the OIG recommended that this exemption be repealed and that serious violations be reported directly to Labor. Second, the OIG noted the vulnerability of pension plan assets to fraud or organized criminal activity. Its investigations have uncovered abuse by financial investment advisors and pension plan administrators involved in the investment activity of pension assets. Abuses by financial investment service providers, who typically control the investment of hundreds of millions of dollars of pension funds, can result in huge dollar losses because they usually provide investment or financial advice to more than one plan. Labor's continued support for the enforcement efforts of OIG and the Pension and Welfare Benefits Administration against corrupt service providers is necessary to provide a credible deterrent against abuses.

In September 2000, we reported that the Black Lung Disability Trust Fund, which provides disability benefits and medical services to eligible workers in the coal mining industry, continues to go into debt. The fund's shortfall was \$6.3 billion in fiscal year 1999 and will increase to a projected \$58 billion by fiscal year 2040. According to Labor's OIG, which also identified this problem, the debt resulted from advances originally obtained to cover benefit payments that coal taxes—the primary source of fund revenues—could not provide. Although the tax now generates sufficient revenue to cover benefits, the trust fund must continue to borrow money to pay interest on past advances. Labor, in conjunction with the Treasury Department, drafted a legislative proposal to authorize a refinancing of the outstanding debt, extend excise tax levels, and provide for a payment to compensate Treasury for the foregone prepayment premium that was sent to Congress in

October 2000. Labor will continue to pursue this legislation in the next congressional session.

Finally, we found weaknesses in the Pension Benefit Guaranty Corporation's contract management and procurement planning that could affect its ability to serve the financial needs of millions of pension plan participants efficiently and effectively. Faced with a significant number of large pension plan failures beginning in the mid-1980s, PBGC contracted out for services rather than seeking more federal staff to address the large backlog of benefit determinations. Because the agency's goal was to obtain needed services quickly, it did not adequately link its contracting decisions to long-term strategic planning. As a result, the agency cannot determine if it has a cost-effective mix of contractor and federal employees or if it will be prepared for future workload changes. We also found that PBGC did not have a sound business rationale for its decision to consolidate the competition for services at three separate field offices into one procurement—and may have limited competition—and did not do enough to stimulate competition for other field office procurements.

We made several recommendations to address PBGC's need to manage its longer-term contracting needs more strategically and take action to address operational and procedural weaknesses. For example, we recommended that PBGC undertake a comprehensive review to better link staffing and contracting decisions to its long-term strategic planning process, establish a comprehensive set of procedural guidance for staff who monitor contracts, and compile essential performance data in a central location to monitor contractor performance. To achieve more effective procurement planning and practices so that the agency does not risk paying too much for contracted services and receiving inferior performance, we recommended that the agency consider using fixed-price rather than labor-hour

contracts—which entail more oversight and risk—and foster more competition by conducting market research to identify additional potential offerors and by seeking more opportunities to increase competition for contracts. In response, PBGC plans to take action in several areas. For example, PBGC plans to develop additional centralized performance data to manage its contractors; use more fixed-price contracts, where appropriate; and open additional contracts to competition and expand its market research efforts to identify additional potential offerors. It is important that PBGC sustain these efforts and fully implement these actions.

Key Contact

Sigurd R. Nilsen, Director
Education, Workforce,
and Income Security Issues
(202) 512-7215
nilsens@gao.gov

**Fostering Safe and
Healthy Workplaces**

At least three Labor agencies are responsible for enforcing laws to protect the working conditions of employees: the Occupational Safety and Health Administration (OSHA), the Mine Safety and Health Administration (MSHA), and WHD. These agencies oversee worker health and safety in most workplaces, often sharing enforcement with state and federal agencies. Although Job Corps has begun to establish safety and health programs at Job Corps centers, and OSHA and WHD are making efforts to obtain better data and coordinate enforcement, these agencies face a number of performance measurement and organizational weaknesses that affect their ability to foster safe and healthy workplaces.

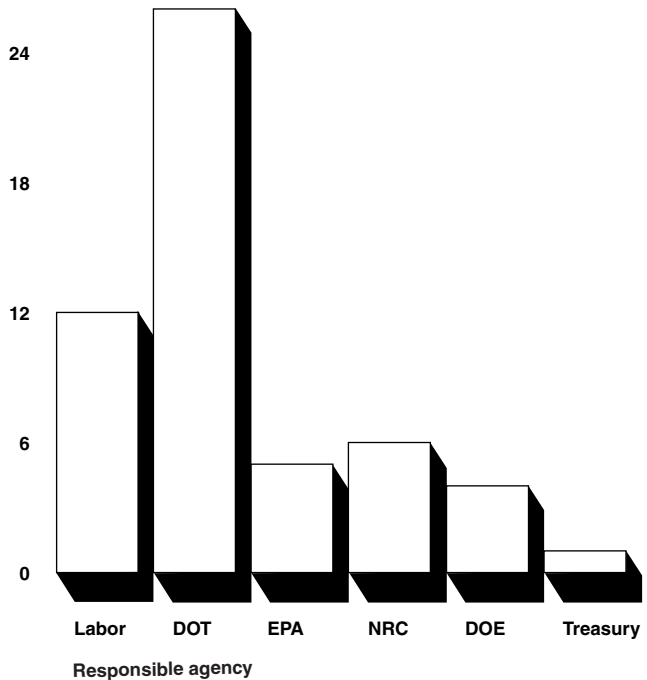
We found performance measurement problems in WHD's enforcement of child labor laws. WHD does not know the true extent of violations involving children

working in agriculture because of the way it tracks child labor violations. Currently, these violations are not tracked as child labor violations, but as recordkeeping violations, in which employers are cited for not having valid proof of a child's age on file as FLSA requires. In addition, although it is well known that many children work in agriculture and that workplace violations occur, WHD does not know the number of children involved in other types of labor law violations, such as housing and minimum wage laws. In August 1998, we recommended that Labor improve its data collection regarding the number of recordkeeping violations from children working in agriculture without employers having proof of age and the number of minimum wage and other labor law violations involving individuals under 18. Although WHD is developing a case management and tracking system for wage and hour investigations, it is behind schedule due to implementation problems.

OSHA and WHD's efforts to protect workers also suffer from organizational and coordination problems resulting from the numerous federal and state agencies sharing responsibility for these missions. In January 2000, we reported that 6 executive agencies and 15 component agencies are responsible for enforcing at least 37 different federal laws governing workplace safety and health for private sector workers (see fig. 2). According to OSHA, it has 53 MOUs with other federal agencies regarding workplace safety and health.

Figure 2: Workplace Safety and Health Laws Enforced by Responsible Agencies

30 Number of laws



Note: The number of laws each agency is responsible for enforcing adds up to more than 37 because a law may be enforced by more than one agency.

However, in October 2000, we reported that OSHA was not following the MOUs it had signed with at least three other federal agencies, resulting in greater employer compliance burden and potentially endangering worker safety. We also found that OSHA and the other agencies were not coordinating requirements, such as training for hazardous material workers. We recommended various ways that OSHA could improve coordination, such as

determining whether the MOUs were effective and consolidating training requirements. Labor acknowledged points of overlap regarding worker training and did not object to the recommendations.

In August 1998, we found that WHD was not adhering to requirements in established agreements with state and federal agencies, allowing potential agricultural child labor violations to go undetected. We recommended that Labor issue national enforcement procedures that inspectors should follow when verifying a child's age and take steps to ensure that procedures specified in agreements with other agencies to coordinate enforcement are being followed and documented. WHD revised its inspection procedures to require such coordination but continues to lack a quality control system to ensure that field investigators adhere to these procedures.

Similarly, in September 2000, Labor's OIG found problems with Job Corps' implementation of an MOU establishing safety and health programs for its centers. The OIG concluded that, although the Job Corps had established performance standards to reduce injuries and illnesses in compliance with the MOU, other responsibilities were largely unmet and the number of injuries and illnesses had not declined. For example, safety officers did not have the training necessary to administer the program, and inspections were not always documented. Neither were there adequate systems to ensure that violations were abated properly and in a timely manner and that the data used to measure progress were based on incomplete and inconsistent practices. The OIG made recommendations to address these problems, such as ensuring that officers take all required training courses, inspections meet all requirements and are supplemented by greater supervision of student activities, and abatements are more timely. Labor is taking steps to address many of these recommendations.

Our review of child labor law enforcement in August 1998 indicated a lack of strategic planning, making it difficult to ensure that laws and regulations keep up with the changing workplace. The report concluded that FLSA may not be up to date, given changes in the agricultural sector, such as the increased dominance of large agricultural producers and growing reliance on mechanization and pesticides. Because of the inadequate protections for children working as hired migrant and seasonal agricultural workers, we recommended that Congress reevaluate whether FLSA adequately protects these children. Although some members of Congress have expressed interest in this issue, no action has been taken.

Key Contact

Robert E. Robertson, Director
Education, Workforce,
and Income Security Issues
(202) 512-7215
robertsonr@gao.gov

Related GAO Products

Increasing the Employment and Earnings of America's Workforce

Multiple Employment and Training Programs: Overlapping Programs Indicate Need for Closer Examination of Structure (GAO-01-71, Oct. 13, 2000).

Veterans' Employment and Training Service: Better Planning Needed to Address Future Needs (GAO/T-HEHS-00-206, Sept. 27, 2000).

Observations on the Department of Labor's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan (GAO/HEHS-00-125R, June 30, 2000).

Workforce Investment Act: Implementation Status and the Integration of TANF Services (GAO/T-HEHS-00-145, June 29, 2000).

Veterans' Employment and Training Service: Strategic and Performance Plans Lack Vision and Clarity (GAO/T-HEHS-99-177, July 29, 1999).

Multiple Employment Training Programs: Major Overhaul Needed to Reduce Costs, Streamline the Bureaucracy, and Improve Results (GAO/T-HEHS-95-53, Jan. 10, 1995).

Protecting the Benefits of Workers

Office of Workers' Compensation Programs: Goals and Monitoring Are Needed to Further Improve Customer Communications (GAO-01-72T, Oct. 3, 2000).

The Black Lung Disability Trust Fund: Briefing to the Staff of the House Subcommittee on Workforce Protections (Sept. 28, 2000).

Pension Benefit Guaranty Corporation: Contract Management Needs Improvement (GAO/T-HEHS-00-199, Sept. 21, 2000).

Pension Benefit Guaranty Corporation: Contracting Management Needs Improvement (GAO/HEHS-00-130, Sept. 18, 2000).

H-1B Foreign Workers: Better Controls Needed to Help Employers and Protect Workers (GAO/HEHS-00-157, Sept. 7, 2000).

H-2A Agricultural Guestworkers: Status of Changes to Improve Program Services (GAO/T-HEHS-00-134, June 15, 2000).

Fair Labor Standards Act: White-Collar Exemptions Need Adjustments for Today's Work Place (GAO/T-HEHS-00-105, May 3, 2000).

Internal Controls: Oversight of Longshore Special Fund Needs Improvement (GAO/AIMD-00-15, Oct. 29, 1999).

Fair Labor Standards Act: White-Collar Exemptions in the Modern Workplace (GAO/HEHS-99-164, Sept. 30, 1999).

Davis-Bacon Act: Labor Now Verifies Wage Data, but Verification Process Needs Improvement (GAO/HEHS-99-21, Jan. 11, 1999).

H-2A Agricultural Guestworker Program: Changes Could Improve Services to Employers and Better Protect Workers (GAO/HEHS-98-20, Dec. 31, 1997).

Fostering Safe and Healthy Workplaces

Worker Protection: Better Coordination Can Improve Safety at Hazardous Material Facilities (GAO-01-62, Oct. 26, 2000).

Occupational Safety and Health: Federal Agencies Identified as Promoting Workplace Safety and Health (GAO/HEHS-00-45R, Jan. 31, 2000).

Related GAO Products

Child Labor in Agriculture: Changes Needed to Better Protect Health and Educational Opportunities
(GAO/HEHS-98-193, Aug. 21, 1998).

Performance and Accountability Series

Major Management Challenges and Program Risks: A Governmentwide Perspective (GAO-01-241)

Major Management Challenges and Program Risks: Department of Agriculture (GAO-01-242)

Major Management Challenges and Program Risks: Department of Commerce (GAO-01-243)

Major Management Challenges and Program Risks: Department of Defense (GAO-01-244)

Major Management Challenges and Program Risks: Department of Education (GAO-01-245)

Major Management Challenges and Program Risks: Department of Energy (GAO-01-246)

Major Management Challenges and Program Risks: Department of Health and Human Services (GAO-01-247)

Major Management Challenges and Program Risks: Department of Housing and Urban Development (GAO-01-248)

Major Management Challenges and Program Risks: Department of the Interior (GAO-01-249)

Major Management Challenges and Program Risks: Department of Justice (GAO-01-250)

Major Management Challenges and Program Risks: Department of Labor (GAO-01-251)

Major Management Challenges and Program Risks: Department of State (GAO-01-252)

*Major Management Challenges and Program Risks:
Department of Transportation (GAO-01-253)*

*Major Management Challenges and Program Risks:
Department of the Treasury (GAO-01-254)*

*Major Management Challenges and Program Risks:
Department of Veterans Affairs (GAO-01-255)*

*Major Management Challenges and Program Risks:
Agency for International Development (GAO-01-256)*

*Major Management Challenges and Program Risks:
Environmental Protection Agency (GAO-01-257)*

*Major Management Challenges and Program Risks:
National Aeronautics and Space Administration
(GAO-01-258)*

*Major Management Challenges and Program Risks:
Nuclear Regulatory Commission (GAO-01-259)*

*Major Management Challenges and Program Risks:
Small Business Administration (GAO-01-260)*

*Major Management Challenges and Program Risks:
Social Security Administration (GAO-01-261)*

*Major Management Challenges and Program Risks:
U.S. Postal Service (GAO-01-262)*

High-Risk Series: An Update (GAO-01-263)

Ordering Information

The first copy of each GAO report is free. Additional copies of reports are \$2 each. A check or money order should be made out to the Superintendent of Documents. VISA and MasterCard credit cards are accepted, also.

Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:
U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013

Orders by visiting:
Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders by phone:
(202) 512-6000
fax: (202) 512-6061
TDD (202) 512-2537

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

Orders by Internet:
For information on how to access GAO reports on the Internet, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web home page at:

<http://www.gao.gov>

To Report Fraud, Waste, or Abuse in Federal Programs

Contact one:

- Web site: <http://www.gao.gov/fraudnet/fraudnet.htm>
- e-mail: fraudnet@gao.gov
- 1-800-424-5454 (automated answering system)

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested

<p>Bulk Mail Postage & Fees Paid GAO Permit No. GI00</p>

